DOCUMENT RESUME

ED 471 978 CE 084 389

AUTHOR	Tyler, John H.
TITLE	So You Want a GED? Estimating the Impact of the GED on the Earnings of Dropouts Who Seek the Credential. NCSALL Research Brief.
INSTITUTION	National Center for the Study of Adult Learning and Literacy, Boston, MA.
SPONS AGENCY	National Inst. on Postsecondary Education, Libraries, and Lifelong Learning (ED/OERI), Washington, DC.
PUB DATE	2002-00-00
NOTE	4p.
CONTRACT	R309B60002
AVAILABLE FROM	For full text: http://ncsall.gse.harvard.edu/research/brief_tyler2.pdf.
PUB TYPE	Information Analyses (070)
EDRS PRICE	EDRS Price MF01/PC01 Plus Postage.
DESCRIPTORS	Adult Basic Education; Adult Literacy; Blacks; Correctional Education; *Dropouts; Economic Impact; Educational Policy; Educational Practices; Educational Research; *Estimation (Mathematics); *High School Equivalency Programs; Literacy Education; *Measurement Techniques; Minority Groups; Nontraditional Education; Outcomes of Education; *Research Methodology; *Salary Wage Differentials; Unemployment Insurance; Whites
IDENTIFIERS	Florida; *General Educational Development Tests; Impact Studies; Return on Investment

ABSTRACT

The impact of the General Educational Development certificate (GED) on the earnings of high school dropouts who seek the credential were estimated. The estimates were derived by using several different types of estimation methods to analyze data linking Florida GED test information with quarterly earnings records collected by Florida's Unemployment Insurance system. The study data set included basic demographics, quarterly earnings, and GED test scores of 81,170 individuals. Key findings were as follows: (1) acquiring a GED leads to greater quarterly earnings growth; (2) earning a GED increases the probability of having non-zero earnings; (3) higher scores on GED tests lead to higher earnings; (4) the economic return on the GED is approximately the same for whites and minority group members earning the credential outside prison, but it is relatively large for whites and much smaller for minority group members earning the credential while incarcerated. The following were among the study's implications: (1) substantial GED-related earnings differences occur over time rather than immediately; (2) the relatively large numbers of young black high school dropouts who obtain GEDs in prison appears to explain the GED's lesser economic impact for minority group members; and (3) acquiring a GED only partially tempers the harsh economic realities for high school dropouts. (MN)

Reproductions supplied by EDRS are the best that can be made
from the original document.

ED 471 978

So You Want a GED? Estimating the Impact of the GED on the Earnings of Dropouts Who Seek the Credential

NCSALL Research Brief

U.S. DEPARTMENT OF EDUCATION
Office of Educational Research and Improvement
EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)
This document has been reproduced as received from the person or organization originating it.
Minor changes have been made to improve reproduction quality.
Points of view or opinions stated in this document do not necessarily represent official OERI position or policy.

CE084389

BEST COPY AVAILABLE

So You Want a GED? Estimating the Impact of the GED on the Earnings of Droputs Who Seek the Credential

A NCSALL Research Brief

John H. Tyler

For high school dropouts, earning a GED leads to faster earnings growth, according to this study of GED [tests of general educational development] and employment data from the state of Florida.

This research estimates the impact of the GED on the earnings of high school dropouts who seek the credential, using a unique data set and employing several different types of estimation methods. Although the study's results may not apply to the random dropout, they can inform both policy and practice because they apply to dropouts currently served by GED programs.

Methodology

This study used data linking Florida GED test information with quarterly earnings records collected by Florida's Unemployment Insurance (UI) system. Florida is the only state where the records of GED candidates who last tested as early as 1994 can be matched to UI earnings. The resulting data set contains basic demographics, quarterly earnings, and GED test scores of 81,170 individuals. Everyone in the data was between the ages of 16 and 40 when they attempted the GED, and those who attempted the GED exams while incarcerated were excluded. Five different models were used to estimate the impact of the GED on the earnings of dropouts who attempt the exams.

Earning a GED Increases Earnings

In up to 20 quarters before attempting to pass the GED tests, there is essentially no difference between the earnings of dropouts who eventually obtain the GED credential and those who fail the exams. After attempting the tests, however, the earnings growth rate is faster for the dropouts who succeed in earning the GED credential. In the fifth year, GED holders' quarterly earnings were estimated to be $285, $326, $330, and $336 greater than earnings of dropouts without a GED. These figures represent about a 15 percent gain in earnings for a successful GED candidate.

Earning a GED Increases Employment Probability

Evidence of the GED's effect on employment—inferred from a person's having non-zero quarterly earnings—is less strong. Estimates indicate that the relative probability of having positive earnings for successful candidates tends to increase in the post-attempt period. However, there is some evidence that this may simply be a part of a general upward trend in relative employment for successful candidates that started before they attempted the GED tests. However, estimates indicate that acquiring a GED translates into about a four percentage point greater probability of having non-zero earnings by the 17th quarter after receiving the credential.

Earning a GED in Prison Decreases its Impact

This study permitted further consideration of differences in the GED effect on earnings for whites and minorities found in "Estimating the Labor Market Signaling Value of the GED" (Tyler, Murnane, & Willett, 2000). One of the explanations offered was that a potentially large portion of minority GED holders, particularly black men, obtained a GED in prison.

Key Findings

- Acquiring a GED leads to greater quarterly earnings growth.
- Earning a GED increases the probability of having non-zero earnings.
- Higher scores on the GED tests lead to higher earnings.
- The economic return on the GED is approximately the same for whites and minority group members earning the credential outside prison, but it is relatively large for whites and much smaller for minority group members earning the credential while incarcerated.

Implications for Policy, Practice, and Research

- It takes time for substantial GED-related earning differences to occur.
- The relatively large numbers of young black high school droputs who obtain a GED in prison appears to explain the lesser economic impact of the GED for minority group members.
- Acquisition of a GED credential only partially tempers harsh economic realities for high school dropouts in the United States.
- Study findings support earlier GED research using different data and methods.

When those who attempted the GED while incarcerated were included in the estimation process, economic returns on the GED were relatively large for whites and much smaller and statistically insignificant for minority group members. These results match what was found in the earlier study. However, using the same data but excluding everyone who attempted the GED exams while incarcerated leads to a different finding: The GED provides approximately the same returns to both white and minority GED holders.

Including candidates who attempted to obtain a GED while incarcerated depressed GED estimates only slightly for whites. However, inclusion of these individuals substantially reduced the estimates for minority group members because a higher percentage of GED holders from minority groups were incarcerated.

Implications for Policy and Practice

Five years after obtaining a GED, successful candidates are expected to earn about 15 percent more than the comparison group of unsuccessful candidates. These estimates are similar to the results from other recent studies on the GED that use different data and methods. In particular, they are very close to results from the Tyler, Murnane, and Willett study that used national data, Social Security earnings, and a quasi-experimental estimation strategy. The results presented here also fit prior research indicating that it takes time for substantial GED-related earnings differences to occur.

This study also solves a puzzle that emerged previously: Why does the GED produce positive effects for white dropouts but not for minority group members? This appears driven by the relatively large numbers of young black dropouts who obtain a GED in prison.

Earning a GED is not a Path Out of Poverty

Obtaining a GED is no quick fix for low earnings; it takes some time for substantial GED-related differences to accrue. Second, the mean earnings of all the high school dropouts in the study—including the GED holders—are very low. Although in the fifth year after attempting the tests, GED holders are predicted to have about a 15 percent earnings gain, a male high school dropout who obtained a GED at age 21 would be 26 when he realized this gain, and his predicted annual earnings at that time would be about $12,931. This is only about $3,000 above the poverty line for a single person and almost $1,000 *below* the poverty line for a married couple with one child. This underscores how individuals lacking a regular high school diploma generally have very low earnings and how the GED credential can only partially temper the harsh economic realities for high school dropouts.

John H. Tyler is an assistant professor of education, economics, and public policy at Brown University, where he has joint appointments in the Department of Education, Department of Economics, and Taubman Center for Public Policy and American Institutions. He is also a faculty research fellow of the National Bureau of Economic Research.

For more on John Tyler's research or to learn about other NCSALL efforts connecting research and practice to strengthen adult literacy education programs, visit http://ncsall.gse.harvard.edu.

The National Center for the Study of Adult Learning and Literacy (NCSALL) is a partnership of the Harvard Graduate School of Education, World Education, the Center for Literacy Studies at the University of Tennessee, Portland State University, and Rutgers University. NCSALL is funded by the Educational Research and Development Centers Program, Award Number R309B60002, as administered by the Office of Educational Research and Improvement/National Institute on Postsecondary Education, Libraries, and Lifelong Learning, U.S. Department of Education.

U.S. Department of Education
Office of Educational Research and Improvement (OERI)
National Library of Education (NLE)
Educational Resources Information Center (ERIC)

NOTICE

Reproduction Basis

☐ This document is covered by a signed "Reproduction Release (Blanket)" form (on file within the ERIC system), encompassing all or classes of documents from its source organization and, therefore, does not require a "Specific Document" Release form.

☒ This document is Federally-funded, or carries its own permission to reproduce, or is otherwise in the public domain and, therefore, may be reproduced by ERIC without a signed Reproduction Release form (either "Specific Document" or "Blanket").